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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001924

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TAGS: [ECON](#) [ETRD](#) [PGOV](#) [PREL](#) [CH](#) [TW](#)
SUBJECT: FORMER CHEN ADVISOR ON CROSS-STRAIT AND US-TAIWAN
ECONOMIC TIES

Classified By: AIT Deputy Director Robert Wang, Reason 1.4 (b/d)

¶1. (U) Summary. On August 16, Deputy Director Wang met with Chen Po-chih, chairman of the Taiwan Think Tank. Chen, known to be a 'deep green' supporter of and former advisor to President Chen Shui-bian, frankly expressed his personal views on the economic relations between Taiwan and China, asserting that over-reliance on investment in China as a driver of Taiwan's economic growth would have negative long-term repercussions. Regarding the economic ties between Taiwan and the United States, Chen outlined his position on the advantages of a US-Taiwan free trade agreement. End Summary.

VIEWS OF ONE DEEP GREEN ECONOMIST

¶2. (U) AIT Deputy Director Robert Wang called on Taiwan Think Tank (TTT) chairman Chen Po-chih on August 16. Chen, a professor of economics at National Taiwan University, chaired the Council for Economic Planning and Development from 2000 to 2002, during the first administration of Chen Shui-bian, and continued to serve as an economic policy advisor to Chen before moving to TTT in May 2002 (see para 6 for bio details). He has close ties to Hsu Wen-lung, chairman of the Chi Mei Group, one of Taiwan's largest petrochemical product and LCD panel manufacturers.

¶3. (C) Chen stated that Taiwan's annual investment in China amounts to two percent of GDP. He used this statistic to support his argument that Taiwan's economic ties to the mainland are already extensive and further liberalization of trade and investment restrictions would make Taiwan overly dependent on China. His argument reflected implicit criticism of the proposal put forth by KMT presidential candidate Ma Ying-jeou and running mate Vincent Siew for a common market between Taiwan and China. Chen claimed China attempts to use economic levers to exert pressure on Taiwan's domestic politics. He cited the example of Chi Mei Group Chairman Hsu Wen-long, who publicly supported Chen Shui-bian in the 2000 presidential race (apparently at the behest of Chen Po-chih), but later withdrew his support. Chen claimed Hsu changed his position because Beijing authorities were exerting pressure not on Hsu's own mainland business operations but on his customers and suppliers through accounting and tax audits and other, unspecified, means. Chen argued that Taiwan businesses must diversify their

investments to stay competitive in a global economy as well as to reduce their exposure to pressure from China. He also stated that direct cross-Strait passenger and cargo flights would harm US strategic interests by creating a means for China unilaterally to disrupt international trade, should it decide to do so as part of a strategy to force re-unification.

¶4. (U) Regarding US-Taiwan economic relations, Chen claimed that a free trade agreement (FTA) between the US and Taiwan would negate the economic pressure China exerts on Taiwan, and thus ensure stability of regional trade and further US strategic interests. He claimed US reluctance to enter into an FTA with Taiwan, after signing the FTA with Korea which has a trade profile very similar to Taiwan's, signals lack of US support for Taiwan. This has made it very difficult for Taiwan to persuade other economies to negotiate similar FTA's with Taiwan. Chen also noted that a US-Taiwan FTA was necessary because Taiwan's representatives to the World Trade Organization do not enjoy diplomatic privileges like other economies.

¶5. (C) Comment: Chen is known to be outspoken, and he was not reticent in his criticism of US policy on cross-Strait economic relations. He has extensive economic policy-making experience, although some of his arguments in support of a US-Taiwan FTA were not convincing. It is unclear how much influence Chen has with the current Chen Shui-bian administration. End Comment.

¶6. (C) Biographic details of Chen Po-Chih: Born February 1949. Education: B.A., M.A. and PhD. in economics from National Taiwan University (NTU). Professional experience: Professor of economics at NTU; economic advisor to DPP since

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June 1999; Board Member, Central Bank of China, 1998-2000; Chairman, Council for Economic Planning and Development, May 2000 - Jan. 2002; Chairman, Taiwan Think Tank, May 2002 - present. Also, Board Member, Taiwan Institute for Economic Research; Board Member, Chunghua Institution for Economic Research; Member Advisory Committee, Mainland Affairs Council.
YOUNG